

LITTLEFIELD TOWNSHIP
EMMET COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2008

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Littlefield Township

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	14
Proprietary Fund	
Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Net Assets	16
Statement of Cash Flows	17
Fiduciary Funds	
Statement of Net Assets	18
Statement of Changes in Net Assets	19
Notes to Financial Statements	20-31
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Comparison Schedules:	
General Fund	32-34
Fire Fund	35
Oden Light Fund	36

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 20, 2008

Members of the Township Board
Littlefield Township
Alanson, Michigan


We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Littlefield Township of Emmet County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Littlefield Township as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of April 1, 2007, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 32 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Mason & Kammermann, P.C.
Certified Public Accountants

Littlefield Township

Management's Discussion & Analysis August 20, 2008

This section of Littlefield Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2008.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are formatted to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Littlefield Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Littlefield Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Littlefield Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, using the full accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Littlefield Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Littlefield Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

Littlefield Township

Management's Discussion & Analysis August 20, 2008

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Littlefield Township maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Oden Light Fund, which are considered to be major funds.

The Township adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

Proprietary Funds

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the sewer operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that of proprietary funds.

Littlefield Township

Management's Discussion & Analysis August 20, 2008

Financial Analysis of the Township as a Whole

The following table shows, in a condensed format, the Township's net assets as of March 31, 2008.

Statement of Net Assets			
March 31, 2008			
	Governmental	Business-Type	
	Activities	Activities	Total
<u>Assets</u>			
Current assets	\$ 593,940	\$ 379,198	\$ 973,138
Noncurrent assets	<u>1,226,388</u>	<u>1,163,104</u>	<u>2,389,492</u>
Total assets	1,820,328	1,542,302	3,362,630
<u>Liabilities and Net Assets</u>			
Current liabilities	78,625	117,581	196,206
Noncurrent liabilities	<u>812,264</u>	<u>988,606</u>	<u>1,800,870</u>
Total liabilities	890,889	1,106,187	1,997,076
Net assets			
Invested in capital assets, net	341,635	71,078	412,713
Restricted	197,039	-	197,039
Unrestricted	<u>390,765</u>	<u>365,037</u>	<u>755,802</u>
Total net assets	<u>\$ 929,439</u>	<u>\$ 436,115</u>	<u>\$ 1,365,554</u>

The Township's total net assets are \$1,365,554. Net assets totaling \$197,039 are restricted for public safety activities. The Township has \$390,765 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Littlefield Township

Management's Discussion & Analysis August 20, 2008

The following table shows how activities affected changes in net assets during the fiscal year.

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues			
Charges for services	\$ 40,065	\$ 164,257	\$ 204,322
Capital grants & contributions	63,020	-	63,020
General Revenues:			
Property taxes	366,966	-	366,966
State shared revenues	137,464	-	137,464
Interest	25,968	15,974	41,942
Other	11,772	91,722	103,494
Total revenues	645,255	271,953	917,208
Expenses:			
Legislative	31,824	-	31,824
General government	179,978	-	179,978
Community/economic develop.	672	-	672
Public safety	104,417	199,302	303,719
Public works	117,769	-	117,769
Recreation and culture	4,565	-	4,565
Interest on long-term debt	30,663	15,974	46,637
Total expenses	469,888	215,276	685,164
Change in net assets	<u>\$ 175,367</u>	<u>\$ 56,677</u>	<u>\$ 232,044</u>

Revenue sources and changes

For the year ended March 31, 2008, revenue from all sources totaled \$917,208 of which \$645,255 was from governmental activities and \$271,953 was from business-type activities. Revenue from governmental activities consists primarily of 366,966 (57%) from property taxes, \$137,464 (21%) from state shared revenues, and \$63,020 (10%) from capital grants.

Littlefield Township

Management's Discussion & Analysis August 20, 2008

Expenses

Using the full accrual basis of accounting, the Township spent \$469,888 on governmental activities. This equates to 38.3% on general government, 25.1% on public works, 22.2% on public safety, 6.8% on legislative activities, 6.5% on interest on long-term debt, 1.0% on culture and recreation and 0.1% on community and economic development.

Business-type Activity Highlights

Business-type activities show an increase in net assets of \$56,805 on revenues of \$271,953. The largest source of revenue was from charges for services, which represents about 60.4% of revenues for business-type activities.

Financial Analysis of the Township's Funds

At March 31, 2008, the Township's governmental funds reported combined cash of \$526,303, which is approximately \$165,653 less than last year.

In the General Fund, expenditures exceeded revenues by \$124,895.

The Fire Fund had a decrease of \$15,606 in its fund balance this year. This was due to capital outlay expenditures being higher than anticipated.

The Light District Fund increased its fund balance by \$242, due to street lighting expenses being less than budgeted projections.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on April 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on March 31.

The following schedule shows a comparison of the original fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance Over /(Under)
Total Revenues	\$ 445,583	\$ 445,583	\$ 459,299	\$ 13,716
Total Expenditures	667,952	679,892	584,194	(95,698)
Net Change in Fund Balance	<u>\$ (222,369)</u>	<u>\$ (234,309)</u>	<u>\$ (124,895)</u>	<u>\$ 109,414</u>

Littlefield Township

Management's Discussion & Analysis August 20, 2008

The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the adjustment of revenue and/or planned expenditures related to various Township programs.

Capital Assets

At fiscal year ended March 31, 2008, the Township has capital assets, net of accumulated depreciation of \$2,389,492. During the year, the Township invested \$274,879 in buildings and \$48,433 in equipment.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and land improvements, buildings and improvements, equipment, furniture and fire equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had \$884,753 of long-term debt for governmental activities as of March 31, 2008.

Joint Venture

Under authorization of state statutes, the Township joined the Village of Alanson to establish the Littlefield Alanson Management Authority (the "Authority"), for the purpose of managing the community building, which houses the offices of each governmental unit. The Township and Village have agreed to reimburse the Authority for all costs associated with the use of the building. The Authority prepares its own bi-annual financial statements.

Requests for Information

This financial report is designed to provide a general overview of Littlefield Township's finances for all those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Littlefield Township, 7631 Burr Ave., Alanson, MI 49706.

Littlefield Township

Statement of Net Assets March 31, 2008

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 526,303	\$ 323,889	\$ 850,192
Taxes receivable	51,731	22,184	73,915
Accounts receivable	-	18,134	18,134
Due from other funds	15,906	-	15,906
Due from other governmental units	-	14,991	14,991
Total current assets	593,940	379,198	973,138
Noncurrent Assets			
Capital assets	1,725,726	1,605,068	3,330,794
Less accumulated depreciation	(499,338)	(441,964)	(941,302)
Total noncurrent assets	1,226,388	1,163,104	2,389,492
Total assets	1,820,328	1,542,302	3,362,630
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts payable	5,129	13,031	18,160
Accrued expenses	1,007	1,130	2,137
Current portion of long-term debt	72,489	103,420	175,909
Total current liabilities	78,625	117,581	196,206
Long-term Liabilities			
Long-term debt, net of current portion	812,264	988,606	1,800,870
Total liabilities	890,889	1,106,187	1,997,076
Net Assets			
Invested in capital assets, net of related debt	341,635	71,078	412,713
Restricted	197,039	-	197,039
Unrestricted	390,765	365,037	755,802
Total net assets	\$ 929,439	\$ 436,115	\$ 1,365,554

The accompanying notes are a part of the financial statements.

Littlefield Township

Statement of Activities For The Year Ended March 31, 2008

		Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:	Expenses						
Legislative	\$ 31,824	\$ -	\$ -	\$ -	\$ (31,824)	\$ -	\$ (31,824)
General government	179,978	-	-	-	(179,978)	-	(179,978)
Community & economic development	672	-	-	-	(672)	-	(672)
Public safety	104,417	40,065	-	38,020	(26,332)	-	(26,332)
Public works	117,769	-	-	-	(117,769)	-	(117,769)
Recreation and culture	4,565	-	-	25,000	20,435	-	20,435
Interest on long-term debt	30,663	-	-	-	(30,663)	-	(30,663)
Total Government Activities	469,888	40,065	-	63,020	(366,803)	-	(366,803)
Business-type Activities							
Sewer	215,276	164,257	-	-	-	(51,019)	(51,019)
Total Primary Government	<u>\$ 685,164</u>	<u>\$ 204,322</u>	<u>\$ -</u>	<u>\$ 63,020</u>	<u>(366,803)</u>	<u>(51,019)</u>	<u>(417,822)</u>
General Revenues:							
Property taxes					366,966	-	366,966
State shared revenues					137,464	-	137,464
Interest					25,968	15,974	41,942
Other					11,772	91,722	103,494
Total general revenues					542,170	107,696	649,866
Change in net assets					175,367	56,677	232,044
Net Assets - April 1, 2007					754,072	379,438	1,133,510
Net Assets - March 31, 2008					<u>\$ 929,439</u>	<u>\$ 436,115</u>	<u>\$ 1,365,554</u>

The accompanying notes are a part of the financial statements.

Littlefield Township

Governmental Funds Balance Sheet March 31, 2008

<u>Assets</u>	<u>General</u>	<u>Fire</u>	<u>Oden Light</u>	<u>Total</u>
Cash and cash equivalents	\$ 373,964	\$ 143,231	\$ 9,108	\$ 526,303
Taxes receivable	34,969	15,983	779	51,731
Due from other funds	15,906	-	-	15,906
Total assets	<u>\$ 424,839</u>	<u>\$ 159,214</u>	<u>\$ 9,887</u>	<u>\$ 593,940</u>
 <u>Liabilities and Fund Balances</u>				
Current liabilities:				
Accounts payable	\$ 2,720	\$ 2,409	\$ -	\$ 5,129
Accrued expenses	-	1,007	-	1,007
Total liabilities	2,720	3,416	-	6,136
Fund balances:				
Undesignated and unreserved	390,765	-	-	390,765
Designated:				
Cemetery	31,354	-	-	31,354
Restricted:				
Fire protection	-	155,798	-	155,798
Light district	-	-	9,887	9,887
Total fund balances	<u>422,119</u>	<u>155,798</u>	<u>9,887</u>	<u>587,804</u>
Total liabilities & fund balances	<u>\$ 424,839</u>	<u>\$ 159,214</u>	<u>\$ 9,887</u>	<u>\$ 593,940</u>

The accompanying notes are a part of the financial statements.

Littlefield Township

Governmental Funds Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2008

Total Fund Balances - Governmental Funds	\$ 587,804
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet

Long-term debt, net of current portion	(812,264)
Current portion of long-term debt	(72,489)

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet.

Cost of capital assets	1,725,726
Accumulated depreciation	<u>(499,338)</u>
Total Net Assets - Governmental Activities	<u>\$ 929,439</u>

The accompanying notes are a part of the financial statements.

Littlefield Township

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2008

	General	Fire Fund	Oden Light	Total
Revenues:				
Taxes	\$ 234,721	\$ 123,742	8,503	\$ 366,966
Contributions from local units	17,489	20,531	-	38,020
Grants	-	25,000	-	25,000
State shared revenues	137,464	-	-	137,464
Charges for services	40,065	-	-	40,065
Interest	21,965	3,837	166	25,968
Other	7,595	4,177	-	11,772
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	459,299	177,287	8,669	645,255
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
Legislative	31,824	-	-	31,824
General government	142,493	-	-	142,493
Community and economic development	672	-	-	672
Public safety	-	65,789	8,427	74,216
Public works	117,769	-	-	117,769
Recreation and culture	4,565	-	-	4,565
Capital outlay	286,871	36,441	-	323,312
Debt Service:				
Principal	-	60,000	-	60,000
Interest	-	30,663	-	30,663
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	584,194	192,893	8,427	785,514
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(124,895)	(15,606)	242	(140,259)
Fund Balances - April 1, 2007	<hr/> 547,014	<hr/> 171,404	<hr/> 9,645	<hr/> 728,063
Fund Balances - March 31, 2008	<hr/> <u>\$ 422,119</u>	<hr/> <u>\$ 155,798</u>	<hr/> <u>\$ 9,887</u>	<hr/> <u>\$ 587,804</u>

The accompanying notes are a part of the financial statements.

Littlefield Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of to the Statement of Activities For The Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (140,259)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	323,312
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	(67,686)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>60,000</u>
Changes in Net Assets - Governmental Activities	<u><u>\$ 175,367</u></u>

The accompanying notes are a part of the financial statements.

Littlefield Township

Proprietary Fund Statement of Net Assets March 31, 2008

<u>Assets</u>	<u>Sewer</u>
Current assets:	
Cash and cash equivalents	\$ 323,889
Taxes receivable	22,184
Accounts receivable	18,134
Due from governmental units	<u>14,991</u>
Total current assets	379,198
Noncurrent Assets:	
Capital assets	1,605,068
Less accumulated depreciation	<u>(441,964)</u>
Total noncurrent assets	<u>1,163,104</u>
Total assets	<u>1,542,302</u>
<u>Liabilities and Net Assets</u>	
Current Liabilities:	
Accounts payable	13,031
Due to other funds	1,130
Current portion of long-term debt	<u>103,420</u>
Total current liabilities	117,581
Noncurrent assets,	
Long-term debt, net of current portion	<u>988,606</u>
Total liabilities	<u>1,106,187</u>
Net Assets:	
Invested in capital assets, net related debt	71,078
Net assets, undesignated	<u>365,037</u>
Total net assets	<u>\$ 436,115</u>

The accompanying notes are a part of the financial statements.

Littlefield Township

Proprietary Fund

Statement of Revenues, Expenditures and Changes in Fund Net Assets For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 158,157	\$ 158,157	\$ 158,470	\$ 313
Interest and penalties	7,000	7,000	5,787	(1,213)
Total operating revenues	165,157	165,157	164,257	(900)
Operating Expenses:				
Salaries and wages	4,000	4,000	3,994	(6)
Contracted services	146,140	146,140	144,282	(1,858)
Professional services	3,475	3,475	3,455	(20)
Supplies	1,000	1,000	442	(558)
Depreciation expense	-	-	32,101	32,101
Total operating expenses	154,615	154,615	184,274	29,659
Net operating income (loss)	10,542	10,542	(20,017)	(30,559)
Nonoperating Revenue (Expenses)				
Interest income	14,900	14,900	15,974	1,074
User charges for debt service	91,760	91,760	91,722	(38)
Interest expense	(133,263)	(133,263)	(31,002)	102,261
Total nonoperating revenues (expenses)	(26,603)	(26,603)	76,694	103,297
Net Change in Net Assets	(16,061)	(16,061)	56,677	72,738
Net Assets - April 1, 2007	379,438	379,438	379,438	-
Net Assets - March 31, 2008	363,377	363,377	\$ 436,115	\$ 72,738

The accompanying notes are a part of the financial statements.

Littlefield Township

Proprietary Fund Statement of Cash Flows For The Year Ended March 31, 2008

	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fees and services	\$ 208,324
Payments for goods and services	<u>(151,043)</u>
Net cash provided by operating activities	57,281
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
User charges for debt service	\$ 95,310
Payments for debt service	<u>(132,103)</u>
Net cash used in non-capital financing activities	(36,793)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>15,974</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,462
CASH AND CASH EQUIVALENTS, April 1, 2007	<u>287,427</u>
CASH AND CASH EQUIVALENTS, March 31, 2008	<u><u>\$ 323,889</u></u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:	
Unrestricted	<u><u>\$ 323,889</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (20,017)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	32,101
Decrease in accounts receivable	44,067
Increase in due to other funds	<u>1,130</u>
Net cash provided by operating activities	<u><u>\$ 57,281</u></u>

The accompanying notes are a part of the financial statements.

Littlefield Township

Fiduciary Funds Statement of Net Assets March 31, 2008

	Expendable Trust Fund	Agency Fund	
	Pickeral Lake Properties	Tax Collection	Total
Assets			
Cash and cash equivalents	<u>\$ 20,061</u>	<u>\$ 383</u>	<u>\$ 20,444</u>
Liabilities and Net Assets			
Liabilities			
Due to other funds	\$ -	\$ 383	\$ 383
Net assets			
Reserved for replacement of sewer lines	<u>20,061</u>	<u>-</u>	<u>20,061</u>
Total liabilities and net assets	<u>\$ 20,061</u>	<u>\$ 383</u>	<u>\$ 20,444</u>

The accompanying notes are a part of the financial statements.

Littlefield Township

Fiduciary Funds Statement of Changes in Net Assets For The Year Ended March 31, 2008

	Expendable Trust Fund	Agency Fund	
	Pickeral Lake Properties	Tax Collection	Total
Additions:			
Property tax collections for:			
Primary government	\$ -	\$ 362,079	\$ 362,079
Other governments	-	3,102,164	3,102,164
Interest earnings	832	5,627	6,459
Total additions	832	3,469,870	3,470,702
Deductions:			
Property tax distributions to:			
Primary government	-	367,706	367,706
Other governments	-	3,102,164	3,102,164
Total distributions	-	3,469,870	3,469,870
Change in Net Assets	832	-	832
Fiduciary Net Assets - April 1, 2007	19,229	-	19,229
Fiduciary Net Assets - March 31, 2008	\$ 20,061	\$ -	\$ 20,061

The accompanying notes are a part of the financial statements.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Littlefield Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Littlefield Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue for the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Fund – The Fire Fund accounts for all activities of the Township's fire department.

Oden Light Fund – The Oden Light Fund accounts for the resources used for providing street lighting.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

Agency and Tax Collection Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Township reports the following major proprietary fund:

Sewer Fund – The Sewer Fund accounts for the activities of the sewage collection system.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be demand deposits, savings accounts, certificates of deposit and investments with original maturities of one year or less from date of acquisition.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Township defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	5-10 years
Land Improvements	15 years
Building Improvements	20 years
Sewer collection system	50 years

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

Long-term Obligations

As of March 31, 2008, the Township had long-term obligations from governmental activities, as follows:

Installment contract payable for a new fire station	\$ 840,000
Installment contract payable for construction of a new roof on the community building	<u>44,753</u>
Total	<u>\$ 884,753</u>

In addition, the Township had long-term obligations from business-type activities, as follows:

Installment contracts payable for sewer collection system	<u>\$1,092,026</u>
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Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The Township used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

Accounting Change

As of April 1, 2007, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township’s activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$1,226,388, which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township’s applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to April 1st.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Littlefield Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township incurred expenditures in the Fire Fund in excess of the amounts appropriated, as follows:

Fund/Function	Original Budget	Final Budget	Actual	Variance
Fire Fund	\$ 184,383	\$ 184,383	\$ 192,893	\$ 8,510

Accumulated Fund Deficits

Littlefield Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2008.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

Cash and cash equivalents – At March 31, 2008, the carrying amount of the Township's cash equivalents totaled \$870,636. The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$200,000 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$670,636 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in December and are payable from December through February 15. The Township bills and collects its own property taxes, as well as taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to the State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

The tax rates are summarized as follows:

<u>PURPOSE</u>	<u>RATE/ ASSESSED VALUATION</u>
Operations:	
General governmental operations	1.8958 per \$1000
Fire protection	.9897 per \$1000
Light district	.3797 per \$1000

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 5 – CAPITAL ASSETS

Following is a schedule of capital assets for governmental activities for the year:

	Balance of April 1, 2007	Additions	Disposal	Balance of March 31, 2008
Capital assets not depreciated,				
Land	\$ 321,365	\$ -	\$ -	\$ 321,365
Capital assets being depreciated;				
Land improvements	6,256	-	-	6,256
Buildings	370,691	274,879	-	645,570
Equipment and furniture	704,102	48,433	-	752,535
Total capital assets being depreciated	1,081,049	323,312	-	1,404,361
Less: accumulated depreciation	(431,652)	(67,686)	-	(499,338)
Total capital assets	<u>\$ 970,762</u>	<u>\$ 255,626</u>	<u>\$ -</u>	<u>\$ 1,226,388</u>

Depreciation expense was charged to the Township's functions as follows:

	Amount
General government	\$ 37,485
Public safety	<u>30,201</u>
Total	<u>\$ 67,686</u>

Following is a schedule of capital assets for proprietary fund operations:

	Balance of April 1, 2007	Additions	Disposal	Balance of March 31, 2008
Capital assets being depreciated				
Sewer collection system	\$ 1,605,068	\$ -	\$ -	\$ 1,605,068
Less: accumulated depreciation	(409,863)	(32,101)	-	(441,964)
Total capital assets	<u>\$ 1,195,205</u>	<u>\$ (32,101)</u>	<u>\$ -</u>	<u>\$ 1,163,104</u>

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 6 – RECEIVABLES AND PAYABLES

Receivables for the primary government at March 31, 2008 are as follows:

	General Fund	Trust and Agency Fund
Interfund Receivable	\$ 383	\$ -
Interfund Payable	-	383
	<u>\$ 383</u>	<u>\$ 383</u>

NOTE 7 – LONG-TERM DEBT

As of March 31, 2008, the Township had long-term debt obligations for governmental activities as follows:

	<u>4/1/07</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>3/31/08</u>
Contracts payable to Citizens National Bank of Cheboygan:				
Due in semi-annual installments of \$30,000, plus interest at 4.5 percent, matures November, 2021.	\$ 900,000	\$ -	\$ 60,000	\$ 840,000
Advances totaling \$44,753 are payable under a contract for construction in progress to re-roof the Community Building. Interest at 3.95 interest, matures February, 2019.	-	44,753	-	44,753
Totals	<u>\$ 900,000</u>	<u>\$ 44,753</u>	<u>\$ 60,000</u>	<u>\$ 884,753</u>

The contract issued for \$900,000 was used to finance the construction of a new fire station. The advances for the construction in progress have been made under an installment contract agreement providing total funding of \$150,000 upon completion of the work. The contracts are secured by the full faith and credit of the Township. Interest expense totaling \$30,663 has been recorded in the Fire Fund.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

The annual principal requirements for the years ending thereafter are as follows:

Year ended March 31	General Long-Term Obligations
2009	\$ 72,489
2010	71,480
2011	71,934
2012	68,850
2013	60,000
2014-2018	300,000
2019-2022	240,000
Total	<u>\$ 884,753</u>

As of March 31, 2008, the Township had long-term debt obligations for the business-type activities as follows:

	<u>4/1/07</u>	<u>Principal Payments</u>	<u>3/31/08</u>
Contracts payable to Harbor Springs Area Sewage Disposal Authority:			
Due in annual installments varying from \$71,310 to \$84,838, including interest at 2.5 percent, matures April, 2023.	\$ 1,103,892	\$ (57,060)	\$ 1,046,832
Due in annual installments of \$46,042, including interest at 3.75 interest percent, matures January, 2009.	<u>90,388</u>	<u>(45,194)</u>	<u>45,194</u>
Totals	<u>\$ 1,194,280</u>	<u>\$ (102,254)</u>	<u>\$ 1,092,026</u>

The Sewage Authority contract payment in the amount of \$57,060 represents the Township's share (23.29%) of the 2002 Wastewater Treatment Facility Bonds.

The Sewage Authority contract payment in the amount of \$45,194 represents the Township's share (53.17%) of the 1974 Sewage Disposal System Bonds.

The bonds were issued by the Sewage Authority under Act No. 233 and are secured by the full faith and credit pledges of the participating units of government. The Township is repaying the debt by assessing user charges to the sewer customers. The contractual payments and user charges are recorded in the Sewage Disposal Enterprise Fund. Interest expense on the contracts totaled \$31,002 for the year.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

The annual principal requirements for the years ending thereafter are as follows:

Year ended March 31	General Long-Term Obligations
2009	\$ 103,420
2010	59,390
2011	61,719
2012	62,883
2013	64,048
2014-2018	348,187
2019-2023	392,379
Total	<u>\$ 1,092,026</u>

NOTE 8 – PENSION PLAN

The Township contributes to the Littlefield Township Group Plan (the "Plan"), a defined contribution plan, established and administered by the Township and maintained through a life insurance company. The Plan is available to elected officials and provides matching contributions by the Township up to 6 percent of the covered wages. All funds contributed to the Plan are fully vested. Pension expenses totaled \$3,171 for the year.

NOTE 9 – FUND EQUITY RESERVATIONS AND DESIGNATIONS

The General Fund balance has designated \$31,354 for cemetery expenditures.

The Fire Fund has \$155,798 and the Oden Light District Fund has \$9,887 restricted for public safety.

NOTE 10 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover risks of loss. The Township has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Littlefield Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 11 – JOINT VENTURE

Under authorization of state statutes, the Township joined the Village of Alanson to establish the Littlefield Alanson Management Authority (the "Authority"), for the purpose of managing the community building, which houses the offices of each governmental unit. The Township and Village have agreed to reimburse the Authority for all costs associated with the use of the building. The Authority prepares its own bi-annual financial statements.

Littlefield Township

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual General Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	\$ 227,925	\$ 227,925	\$ 234,721	\$ 6,796
State shared revenues	133,719	133,719	137,464	3,745
Contributions from local units	17,139	17,139	17,489	350
Charges for services	42,950	42,950	40,065	(2,885)
Interest	16,300	16,300	21,965	5,665
Other income	7,550	7,550	7,595	45
Total revenues	445,583	445,583	459,299	13,716
Expenditures:				
Legislative				
Salaries	5,500	5,500	5,500	-
Payroll taxes	4,373	4,373	3,867	(506)
Professional services	35,000	43,000	7,366	(35,634)
Insurance and bonds	7,645	7,645	5,630	(2,015)
Dues and subscriptions	2,858	2,858	1,988	(870)
Supplies	1,100	1,100	696	(404)
Other expenses	6,800	7,800	6,777	(1,023)
Total legislative	63,276	72,276	31,824	(40,452)
General Government				
Township Supervisor				
Salary	17,000	17,000	17,000	-
Supplies	200	200	-	(200)
Total township supervisor	17,200	17,200	17,000	(200)
Township Assessor				
Contracted services	31,000	31,000	30,925	(75)
Supplies	2,700	3,175	3,153	(22)
Other	1,000	1,000	100	(900)
Total township assessor	34,700	35,175	34,178	(997)

Littlefield Township

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual General Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Township Clerk				
Salary	10,500	10,500	10,500	-
Salary, deputy clerk	50	450	152	(298)
Supplies	2,250	2,250	1,785	(465)
Printing and publishing	2,400	2,400	2,399	(1)
Total township clerk	15,200	15,600	14,836	(764)
Township Board of Review	800	800	750	(50)
Township Treasurer				
Salary	16,675	17,035	17,035	-
Salary, deputy treasurer	300	405	405	-
Supplies	8,500	8,500	7,268	(1,232)
Total township treasurer	25,475	25,940	24,708	(1,232)
Elections	1,000	1,075	1,068	(7)
Building and Grounds				
Salaries and wages	28,700	28,700	28,373	(327)
Pension	3,052	3,172	3,171	(1)
Contracted services	11,350	11,350	11,350	-
Communications	485	485	476	(9)
Total building and grounds	43,587	43,707	43,370	(337)
Cemetery				
Salaries and wages	950	950	950	-
Repairs and maintenance	4,500	5,360	5,358	(2)
Utilities	300	300	275	(25)
Total cemetery	5,750	6,610	6,583	(27)
Total General Government	143,712	146,107	142,493	(3,614)

Littlefield Township

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For The Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Community and Economic Development				
Salaries and wages	1,500	1,500	672	(828)
Recreation and Culture				
Library	3,150	3,150	2,363	(787)
Township parks	2,000	2,225	2,202	(23)
Total recreation and culture	5,150	5,375	4,565	(810)
Public Works				
Repairs and maintenance	117,800	117,800	117,769	(31)
Total public works	117,800	117,800	117,769	(31)
Capital Outlay				
Building improvements	336,100	336,100	274,879	(61,221)
Equipment	414	734	11,992	11,258
Total capital outlay	336,514	336,834	286,871	(49,963)
Total expenditures	667,952	679,892	584,194	(95,698)
Net Change in Fund Balance	(222,369)	(234,309)	(124,895)	109,414
Fund Balance - April 1, 2007	547,014	547,014	547,014	-
Fund Balance - March 31, 2008	<u>\$ 324,645</u>	<u>\$ 312,705</u>	<u>\$ 422,119</u>	<u>\$ 109,414</u>

Littlefield Township

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Fire Fund
For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:				
Property taxes	\$ 114,473	\$ 114,473	\$ 123,742	\$ 9,269
Contributions from local units	-	-	20,531	20,531
Grants	15,312	15,312	25,000	9,688
Interest	2,000	2,000	3,837	1,837
Other income	-	-	4,177	4,177
Total revenues	131,785	131,785	177,287	45,502
Expenditures:				
Public safety				
Salaries and wages	27,200	27,200	19,890	(7,310)
Payroll taxes	2,100	2,100	1,521	(579)
Utilities	17,150	17,150	12,268	(4,882)
Insurance	15,400	15,400	13,174	(2,226)
Repairs and maintenance	9,375	9,375	6,047	(3,328)
Training	1,500	1,500	3,907	2,407
Supplies	2,500	2,500	2,855	355
Fuel	3,000	3,000	2,153	(847)
Contracted services	1,500	1,500	1,273	(227)
Rent	2,200	2,200	1,093	(1,107)
Other	1,458	1,458	1,608	150
Total public safety	83,383	83,383	65,789	(17,594)
Capital outlay	6,000	6,000	36,441	30,441
Debt Service				
Principal	95,000	95,000	60,000	(35,000)
Interest	-	-	30,663	30,663
Total debt service	95,000	95,000	90,663	(4,337)
Total expenditures	184,383	184,383	192,893	8,510
Net Change in Fund Balance	(52,598)	(52,598)	(15,606)	36,992
Fund Balance - April 1, 2007	171,404	171,404	171,404	-
Fund Balance - March 31, 2008	\$ 118,806	\$ 118,806	\$ 155,798	\$ 36,992

Littlefield Township

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Oden Light Fund
For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:				
Property taxes	\$ 8,700	\$ 8,700	\$ 8,503	\$ (197)
Interest	75	75	166	91
Total revenues	8,775	8,775	8,669	(106)
Expenditures:				
Public Safety				
Street lighting	8,875	8,875	8,427	(448)
Net Change in Fund Balance	(100)	(100)	242	342
Fund Balance - April 1, 2007	9,645	9,645	9,645	-
Fund Balance - March 31, 2008	<u>\$ 9,545</u>	<u>\$ 9,545</u>	<u>\$ 9,887</u>	<u>\$ 342</u>

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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August 20, 2008

To the Township Board
Littlefield Township
Alanson, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Littlefield Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Littlefield Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conforming with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

Budgeting

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2008, Littlefield Township incurred expenditures that exceeded the amount appropriated for the Fire Fund, as shown in the body of the financial statements.

We suggest that the Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Mason & Kammermann, P.C." in a cursive, flowing script.

Mason & Kammermann, P.C.
Certified Public Accountants

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

August 20, 2008

To the Board of Trustees
Littlefield Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Littlefield Township for the year ended March 31, 2008, and have issued our report thereon August 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Littlefield Township are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended March 31, 2008. The daily operations and recording of transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 20, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Littlefield Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Mason & Kammermann, P.C." in a cursive script.

Mason & Kammermann, P.C.
Certified Public Accountants